

An Open Letter to the People of West Virginia:

What Do You Think About the Oil and Gas Business?

After the Public Service Commission was established in West Virginia by act of the last legislature, and the members had been appointed, the Manufacturers Light & Heat Company filed with the said Commission its schedule of rates, as required by law. The Public Service Commission, on its own motion, has called upon this company to show not only that the proposed rates, but also that those theretofore charged, are reasonable. There have been a number of hearings before the Commission, the proceedings have been published, discussion by the public is now going on as to what is a reasonable rate for domestic consumption and what for industrial consumption.

It is more important to the people of this State, than to the gas companies, for reasons which will presently be apparent, that there should be intelligent, well-informed consideration of this question, and it is also so important to the gas companies, that we are addressing to the people of this State this letter, and instead of stating what we think to be the facts in the case at issue, we ask you some questions, so that you may for yourselves ascertain what those facts are.

HERE ARE THE QUESTIONS

You know that the gas and oil people have made some money in the business. We know that your share in the profits has been greater than ours, as the best data we can get shows. Did YOU know that since 1890 about 36,000 oil and gas wells have been completed in West Virginia, for which there were paid out by the investors to you as landowners, suppliers, teamsters, workmen, and so on, the enormous sum of about

\$250,000,000 IN CASH

not to mention the additional millions paid in taxes, and for franchises and rights of various kinds and spent among you in a thousand ways to hotels, stores, merchants, liverymen, boarding houses, and so on, making your share in the business amount to at least

\$400,000,000

of which, incidentally, just about one-fourth went for dry holes, representing a dead loss to the investor of, say, 75 to 100 millions of dollars?

In other words, that the oil and gas people have spent in the State in the last few years an amount equal to about one-half of the whole taxable value of all the property of everybody in the whole State?

Furthermore, will you please note that the population of your State being, say, 1,250,000 (1910 census, 1,221,119), this expenditure of two hundred and fifty millions among you by the oil and gas people represents just \$200 for each of you, man, woman, or child, and the \$400,000,000 represents an expenditure of nearly \$350 for each man, woman and child in the State?

Are you aware that the oil and gas people are paying into the treasury of the State of West Virginia taxes which would wipe out the entire principal of the Virginia debt in less than seven years; in fact, that the oil, and gas people are today paying one-half of

the taxes paid by all of the Public Utilities and over one-sixth of the taxes paid on all the real and personal property of all the corporations and of all the people in the State of West Virginia?

To give you an idea of what the oil and gas business means to you as tax payers, we give here some interesting data:

During the 24 years, 1889 to 1912, inclusive, there were 35,463 wells completed.

For each of these there were paid to West Virginians for labor, teaming, material, drillers' board, rig timbers, etc., not less than \$1,333.

Or a total of \$47,274,179.

Including \$11,595,767 for the 8,699 dry holes.

For the operation of the 26,764 productive oil and gas wells and the caring for the product there has been paid in West Virginia for labor, material, teaming, etc., not less than \$99,000,000.

In oil royalties West Virginia land owners have received \$37,000,796.

In rentals on lands held for oil purposes, before drilling the land owners have received not less than \$12,000,000.

In rentals on lands held for gas they have been paid \$8,048,918.

And in royalties on gas from gas wells they have received more than \$6,426,416.

This makes a grand total of \$209,750,309, the amount by which West Virginia has been enriched by these industries during 1889 to 1912.

The amounts may thus be recapitulated:

RECAPITULATION

Oil Royalties.....	\$ 37,000,796
Oil land rentals.....	12,000,000
Gas land rentals.....	8,048,918
Gas royalties.....	6,426,416
Drilling cost, share to local interests.....	47,274,179
Maintenance cost, producing wells, pipe lines, etc.....	99,000,000

Total benefit to West Virginia \$209,750,309.

In the above figures no account is taken of the amount paid in taxes by these industries which aggregates many millions.

In 1912 the oil and gas properties were valued at \$141,355,700 and the taxes paid were \$946,000. This was an increase in valuation from 1904 of 1,229 per cent. as against an increase on real estate of only 366 per cent.

Since 1912 the above amounts have been of course greatly increased so that we may fairly estimate that each item could be increased say 20%.

This would make the total benefit to West Virginia in excess of \$250,000,000, as above stated.

Do you realize that by the oil and gas development thousands have been added to your population, new cities and towns have been built and large increases have been made in other towns and cities, creating demands for your agricultural products food and clothing; in fact, for all the necessities and luxuries of life?

Do you know that by adding these thousands to your population and spending these millions among you, your State has reaped far more benefit than the oil and gas people by the amount they have made out of the oil and gas they have produced?

Are we not, therefore, amply justified in our statement, just made, that your share of the profits of the oil and gas development has been greater than our share?

Do you know that in the beginning natural gas was considered of little value, and do you realize that today it is in demand all over the country, at increased selling prices, but is obtained only with increased costs?

Do you know that the greatest question among operators today is "Where can more gas be found?" and that the ceaseless work of exploration is costing enormous sums of money?

You have heard, of course, that supplies and materials are higher priced; that to organize and manage a company on a big enough scale to go into the gas business, as it is today, by doing compressing

stations and hundreds of miles of pipe lines, with the idea of making it a permanent business, costs heavily?

Do you know that natural gas is not a necessity, but a luxury; that for heat and light, and manufacturing purposes, there are plenty of other fuels, such as hard coal, soft coal, wood, coke, oil, producer gas and electricity, and, therefore, since there are plenty of other such fuels but natural gas is preferred, because it is more convenient, cleaner, simpler to use, and in some cases less expensive. don't you think the people who want to use it, whether they be in West Virginia or elsewhere, ought to pay enough for it to return the money invested in the business, after taking into account that it is a business of great present risks and future uncertainty?

If you had something valuable to sell for which there was a great demand, wouldn't you try to find a market for it, no matter how far away, which would pay you a reasonable interest on your investment and eventually return the money invested? Would you invest millions and hundreds of millions in any business unless you could expect your money to be returned and a profit for your risk?

Don't you think that you, the taxpayer, the farmer, the landowner, the manufacturer, the merchant, the professional man, the furnisher of materials, the employe, and all of you who compose the population of West Virginia, and who benefit as shown above from the gas business, can hope to have these benefits increased only by allowing natural gas to be sold for a reasonable and profitable price, wherever there is a market, within the State or without, for industrial or domestic use?

Do you think it good policy for a State that has great natural resources, such as timber, gas, coal and oil, and produces them, to insist that they shall be sold cheaper within the State than elsewhere?

Don't you know that you cannot prevent a producer from taking his product for sale where he chooses, whether that product be corn, wheat, potatoes, coal, timber, oil or gas, and that to attempt to make him sell his product cheaper in West Virginia than he can sell elsewhere would force the sale of these natural products elsewhere, and cripple the industries of your State?

Don't you know that the great industries of your State which use natural gas would have just cause to complain if by such a penny-wise, pound-foolish policy the gas companies were forced to take their gas outside the State and thus compel these factories to shut down or move away?

Don't you realize that the great industrial and manufacturing States of this country have become so and continue so only by treating fairly and squarely those industries which are situated within their borders; and also that capital, which is proverbially timid, will not go where it fears it will not get such treatment?

Don't you think that the prosperity of the industries and the people of a State is the Prosperity of the State, and that the State can have no interests except the interests of the people of the State?

These are the questions we ask you, and we will appreciate it greatly if you will discuss them among yourselves and then communicate with us and say frankly what you think.

Write to us on a postal card, or send us a letter. We will appreciate hearing from you.

This is our first letter to you. It will be followed by others. So give us your views. We will welcome them.

We can answer your questions in our next letter or possibly direct to the interrogator. Ask us any reasonable questions and if it is possible to do so, we will answer them.

You and we are each so deeply interested in the business of discovering, producing and marketing West Virginia's natural wealth that a frank discussion of its features will do us both no harm and may lead to a better understanding.

Respectfully yours,

The Manufacturers Light & Heat Company,

Pittsburgh, Pa

January 30, 1914.